The Deep Split Over Disaster Payments

Without A New Disaster Fund, Senators Threaten To Hold Farm Bill Funding

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For decades, farmers who have been knocked down hard by weather-related disasters in various parts of the country expected that the federal government would step in with some kind of assistance – maybe not to make them whole, but at least to help them stay in business. And in most cases, they were right.

But in recent years, those kinds of dollars are becoming increasingly hard to come by as lawmakers struggled to gain approval for farm disaster funds in Congress. Sometimes, the payback hasn't arrived for two or three years after the loss.

That type of delay is one of the basic reasons behind current demands for a "standing" or permanent disaster trust fund in the new farm bill. The rationale? If money is specifically set aside for what will likely be a crop or livestock disaster every year, farmers will get help when they need it most.

Not surprisingly, the disaster aid measure is being driven by lawmakers who represent states where growers most frequently suffer disasters. One of the leading proponents is Sen. Max Baucus (D-MT), who also chairs the powerful Senate Finance Committee. His role is especially key this year, as the Agriculture Committees look to him to provide an additional $10 billion in farm bill funding, over and above already projected needs.

He's willing to provide the dough, as long as about half of it gets invested in a new permanent disaster plan. Therein lies the rub. Other key committee members aren't supportive of this measure and argue that scarce funds could better be invested elsewhere.

Disaster plan or no dollars

Senate Agriculture Committee Chairman Tom Harkin (D-IA) has never been a fan of a permanent disaster fund – especially one that would take one billion dollars a year away from other important programs. So when he announced his first farm bill funding proposal, there was only about $2.2 billion set aside for disasters over the next five years.

The reaction from Baucus was sharp and swift. Within minutes, he called the new outline of proposed spending for this year's farm bill "dead on arrival" with him and with other Senators. Basically, he was going to take his dollars and go home, unless he got his way.

"I won't vote for or help to fund any agreement that does not do disaster assistance right for our farmers in need," said Baucus about Harkin's plan. "The National Farmers Union made stable, permanent disaster assistance its number-one priority for the farm bill, but this deal slashes the Senate's good plan for disaster assistance in half. Senators Kent Conrad (D-ND) and John Thune (R-SD) also offered support for Baucus' position.

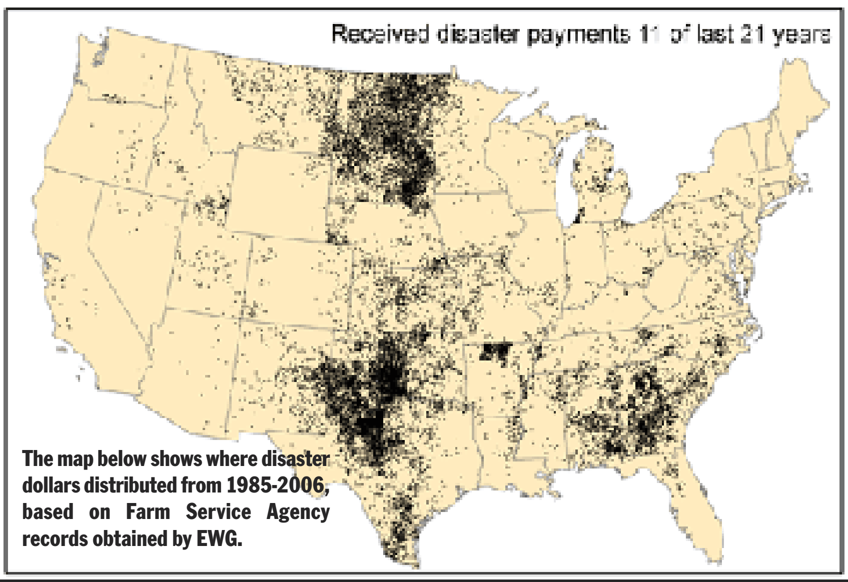
Critics argue that this type of "take it or leave it" approach avoids the more fundamental questions about whether permanent disaster payments would adversely affect participation in the crop insurance program and possibly encourage crop production on high-risk lands.

After all, the House-passed bill does not include a provision for a permanent disaster payment program. Instead, Chairman Collin Peterson (D-MN) has been working with USDA staff on ways to make current disaster programs more workable and easier to implement.

More dependent?

Others complain that a standing disaster program will only make those who are frequent recipients even more dependent on government bailouts. The Environmental Working Group (EWG) did an analysis of USDA disaster payments to over one million recipients from 1995-2003 and found that about half of the recipients (578,198 farm entities) collected aid just one year in the period studied and received a modest $2,771, on average.

However, EWG's analysis found that over 15 percent of the recipients (176,379 farm entities) collected disaster aid at least four years out of nine. This group, which EWG calls "chronically dependent" on disaster aid, took in just over half of the farm disaster payments provided over the period, $5.7 billion. About 30 percent of the taxpayer assistance ($3.36 billion) went to an even more dependent group of 76,287 recipients (7 percent of the total for the period) that collected disaster checks every other year (five years out of 9, or 55.5 percent of the time). At the extreme end of the disaster-dependency spectrum are about 26,000 truly disaster-prone recipients who received disaster money at least 6 years out of nine; this 7 percent of all recipients took in 13 percent of the disaster aid, about $935 million.



The map below shows where disaster dollars distributed from 1985-2006, based on Farm Service Agency records obtained by EWG.

EWG also found that the more often a subsidy recipient collected disaster aid, the higher their average disaster payments tended to be. The fifty percent of farm operations that received disaster aid just one year out of nine collected just $2,771. But those who got payments for three years collected $4,677 per year, and the 100,092 disaster subsidy recipients who got payments four years out of 9 averaged $5,836 annually. Chronically disaster-prone operations that collected aid checks more than half the time routinely received payments averaging $8,000 or more per year.

Forging ahead

Supporters argue that this new type of program would address some of those questions. The proposed new program would supplement the current crop insurance program, and would require a farmer to carry at least the catastrophic level of coverage as a prerequisite for a payment. According to CBO, the program would cost $5.1 billion over five years (FY2008-FY2012). CBO estimates that $2.9 billion of that amount would go directly to crop and livestock producers in the form of direct disaster payments and the other $2.2 billion would cover increased crop insurance costs associated with the crop insurance purchase requirement. Most of the cost would be funded through a mandated transfer of 3.34 percent of annual customs receipts from the U.S. Treasury to the new trust fund.

Under the proposed program, an eligible farmer in a disaster-declared county would receive 52 percent of the difference between an established guaranteed level of revenue and actual total farm revenue. The target level of revenue would be based on the level of crop insurance coverage selected by the farmer, thus increasing if a farmer opts for higher levels of coverage. The proposal also allows the trust fund to be tapped for indemnity payments to livestock producers and orchardists to compensate for significant mortality losses caused by a natural disaster. Up to $35 million annually from the fund also could be used for livestock, honey bee, and farmraised fish losses caused by adverse weather or other environmental conditions.

Given the insatiable desire for more dollars, it's highly likely that some form of a new disaster plan will make its way into new farm legislation. In fact, the latest farm bill funding framework has pumped up the number available for disaster assistance from $2.2 billion to $4.05 billion.

There's an old saying about the "Golden Rule": those who have the gold, rule. In this case, Baucus is the one with the gold. Δ

Editor Sara Wyant publishes a weekly e-newsletter covering farm and rural policy called Agri-Pulse. For a four-week free trial, go to www.Agri-Pulse.com